

**LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 6384

BILL NUMBER: HB 1445

NOTE PREPARED: Dec 17, 2008

BILL AMENDED:

SUBJECT: Payments in Lieu of Taxes.

FIRST AUTHOR: Rep. Knollman

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: ☒ **GENERAL**
☒ **DEDICATED**
☐ **FEDERAL**

IMPACT: State & Local

Summary of Legislation: This bill establishes a payment in lieu of property taxes (PILOT) payable by the Department of Natural Resources (DNR) on land owned by the DNR based on the amount of property taxes that would apply if the land were not exempt. It establishes the PILOT Transfer Fund and makes appropriations.

Effective Date: Upon passage; January 1, 2008 (retroactive).

Explanation of State Expenditures: *Summary*— State fiscal year increases in expenditures from the state General Fund are estimated at \$4.975 M in FY 2010; \$10.3 M in FY 2011; and \$11.1 M in FY 2012. The State Auditor and the Department of Local Government Finance (DLGF) may incur some administrative expenses to implement these provisions.

Background Information— DNR land is subject to assessment as though the land were not exempt from the payment of property taxes. In each year after CY 2009, the DNR must make a PILOT to each eligible county that contains DNR land. The PILOT equals the product of the assessed valuation (AV) and the property tax rate that applies in the taxing district in which the land is located. The DNR owns approximately 370,000 acres. The statewide agricultural land value base is estimated at \$1,250 for Pay 2010, \$1,350 for Pay 2011, and \$1,430 for Pay 2012. The average tax rate for Pay 2010 through Pay 2012 is estimated at around \$2.15.

The DNR will begin paying PILOTs in May 2010. In May 2010, ½ of the \$9.9 M PILOT, or \$4.95 M, will be due. (See table in *Explanation of Local Revenues* below.) The second ½ of the PILOT due in Nov 2010 will be paid in FY 2011. Consequently, the FY 2011 state expenditures is estimated at \$10.3 M. The PILOT

for FY 2012 is estimated at \$11.1 M.

Actual state expenditures will depend on actual tax rates in the taxing districts where the DNR land is located. A PILOT bears interest if unpaid.

State Auditor. Each year, the State Auditor must report to each county assessor in which DNR land is located the number of acres of DNR land located in each township in the county; the parcel numbers or key numbers; and any other information required by the DLGF. The Auditor must provide the report on a form prescribed by the DLGF. This provision will increase administrative expenses for the DLGF by an indeterminable amount.

DLGF: The DLGF may adopt standards for the reporting of information. This provision will increase administrative expenses by a minimal amount. The DLGF should be able to cover any increase given existing levels of resources.

PILOT Transfer Fund. The bill establishes the PILOT Transfer Fund to provide money for the distributions for PILOTS. The Auditor of State must administer the fund. Expenses of administering the fund must be paid from money in the fund. Money in the fund at the end of a state fiscal year does not revert to the state General Fund. The bill continuously appropriates from the state General Fund to the PILOT Transfer Fund the amount necessary to make the distributions.

Explanation of State Revenues: *PILOT Transfer Fund.* The Treasurer of State must invest money in the fund not currently needed to meet the obligations of the fund in the same manner as other public money may be invested.

Explanation of Local Expenditures: The county will incur additional administrative expenses associated with processing information received from the State Auditor and distributing PILOTS. However, the county should be able to cover any additional expenses.

Explanation of Local Revenues: PILOT revenue is estimated at \$9.9 M for CY 2010; \$10.7 M for CY 2011; and \$11.4 M for CY 2011. A PILOT is distributed to a political subdivision in a county in the same manner as ad valorem property taxes. The PILOT would be in addition to all other revenues currently received by the unit and would have no effect on local property tax rates or collections unless the unit elected to use the revenue to reduce its property tax levy. Using the PILOT to reduce levies could reduce local property tax rates.

Estimated PILOTs for CY 2010 through CY 2012 .				
CY	Average Statewide Agricultural Land Value Base Per Acre	DNR AV for 370,000 Acres	Average Statewide Tax Rate per \$100 AV	PILOT
2010	\$1,250	\$463 M	\$2.15	\$9.9 M
2011	\$1,350	\$500 M	\$2.15	\$10.7 M
2012	\$1,430	\$529 M	\$2.15	\$11.4 M

State Agencies Affected: DNR, State Auditor, DLGF.

Local Agencies Affected: Counties that contain DNR land.

Information Sources: DNR and the DLGF database.

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